

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

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June 3, 2003

**FROM:**       **DAVID H. SLAUGHTER**, Director  
Real Estate Services Department

**ED KIECZYKOWSKI**, County Librarian  
Library

**SUBJECT:     LEASE AGREEMENT WITH BLUE JAY VILLAGE COMPANY**

**RECOMMENDATIONS:**

1. Terminate Lease Agreement No. 93-701 with Blue Jay Village Company.
2. Approve a five-year lease agreement with Blue Jay Village Company for 5,513 square feet of library space in Blue Jay for the Library from June 1, 2003 to May 31, 2008 in the amount of \$345,300.

**BACKGROUND INFORMATION:** The Library originally occupied this facility September 1, 1989 under a sublease agreement with Pacific Southwest Realty Company. Bank of America acquired the property, building and improvements by foreclosure. Title to the building was later transferred to the ground lease landlord, Blue Jay Village Company (BJVC). On July 27, 1993, the Board approved a five-year lease agreement (No. 93-701) with BJVC for 5,513 square feet of office for the Library at 27235 Highway 189 in Blue Jay. The original term was from June 1, 1993 through May 31, 1998 and included one five-year option to extend the term. On August 11, 1998, the Board approved Amendment No. 1 to exercise the five-year option and extended the term through May 31, 2003.

County Policy 08-02-01 requires a competitive process to locate leased space when an existing lease terminates and no options remain to extend the term. On September 26, 2002, Capital Improvement Program Request No. 02-66 was approved by the CAO's office for approximately 5,500 sq. ft. The Real Estate Services Department (RESD) utilized the Solicitation of Proposal process and only one proposal was received, which was from the current landlord. Staff from RESD and the Library determined the current location is sufficient to meet the needs of the Library. RESD negotiated a formal termination of the existing lease and a new agreement utilizing the current County lease document. The terms of the new lease are summarized as follows:

|           |   |
|-----------|---|
| Lessor:   | Blue Jay Village Company, (Philip Kilmick, President) |
| Location: | 27235 Highway 189, Blue Jay                           |
| Size:     | 5,513 square feet                                     |
| Term:     | Five years  |

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|             | <u>Cost per sq. ft. per month</u> | <u>Monthly</u> | <u>Annual</u> |
|-------------|-----------------------------------|----------------|---------------|
| Rent: (old) | \$1.02 modified gross             | \$5,605        | \$67,260      |
| (new)       | 1.03 modified gross*              | 5,655          | 67,860        |

\*Mid range for the Blue Jay area

Annual increases: \$50 per month on June 1<sup>st</sup> of each year

Options: One three-year and one two-year option to extend the term

Improvement costs: None

Custodial: To be provided by County

Maintenance: Lessor to provide exterior maintenance; County to provide interior maintenance

Utilities: Lessor to provide for trash; County to provide for all other utilities

Right to Terminate: County may terminate with 90 days notice

Parking: Sufficient for County needs

**REVIEW BY OTHERS:** This item has been reviewed by County Counsel (Rex Hinesley, Chief Deputy County Counsel) on March 3, 2003; Library (Rick Erickson, Assistant County Librarian) on May 5, 2003; and the County Administrative Office (Daniel R. Kopp and Tom Forster, Administrative Analysts) on May 22, 2003.

**FINANCIAL IMPACT:** The total cost of this five-year lease is \$345,300. The total cost for fiscal year 2002-03 will be \$5,665 (one month). Payments will be made from the Rents budget (AAA RNT) and reimbursed from the Library budget (SAP CLB). Sufficient appropriation is available in both budgets. Approval of this item will not result in local cost. State budget impacts are not considered a major factor in the leasing decision because program expenditures are funded 100% by dedicated property tax revenues. Annualized costs for the lease are as follows:

| <u>Year</u>                  | <u>Annual lease cost</u> | <u>Estimated of other costs<br/>associated with this lease</u> |
|------------------------------|--------------------------|--|
| June 1, 2003 to May 31, 2004 | \$67,860                 | \$32,300   |
| June 1, 2004 to May 31, 2005 | 68,460                   | 33,270   |
| June 1, 2005 to May 31, 2006 | 69,060                   | 34,270   |
| June 1, 2006 to May 31, 2007 | 69,660                   | 35,300   |
| June 1, 2007 to May 31, 2008 | 70,260                   | 36,350   |

**COST REDUCTION REVIEW:** The County Administrative Office has reviewed this agenda item, concurs with the Library's and RESD's proposal, and recommends this action based on the Library's need to provide services in the Blue Jay area. Lease payments are made from non-general fund sources. Funding is available, ongoing in nature, and not in imminent jeopardy of being cut at the state or federal level. The lease can be terminated for any reason with 90-days notice.

**SUPERVISORIAL DISTRICTS:** Third

**PRESENTER:** David H. Slaughter, Director, 7-7813

SH 7-7814      mf 7-7825

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